

1 BY MR. SCHMIDT:

2 Q Your job is not to --

3 A Okay.

4 Q -- assess the benefits of
5 programming on Versus, was it?

6 A I thought you were -- I'm sorry.
7 From a financial point of view, I would opine
8 on if I thought it was a good financial
9 decision or not. That was my job.

10 Q All right. After the date of this
11 document, am I correct that Versus retained
12 interest in securing tennis rights?

13 A Can you repeat that, please?

14 Q Yes. So now we're up to January
15 of 2007 with exhibit 35.

16 A Right.

17 Q Am I correct that after the date
18 of that document, Versus retained an interest
19 in securing tennis rights for Versus?

20 A I don't know.

21 Q Do you know if Versus has ever
22 taken an interest in securing French Open

1 rights?

2 A I didn't think we had.

3 Q Do you know if Versus has ever
4 taken an interest in securing Wimbledon
5 rights?

6 A I don't believe so, no.

7 Q Let me show you your testimony.
8 Before I do, do you remember testifying in
9 your deposition that "I remember people
10 talking about French Open at one point in
11 time"?

12 A I thought your question was, did
13 we ever take an interest in it?

14 Q Okay.

15 A I'm sorry. I apologize. I
16 misunderstood the words "take an interest."

17 Q I might have asked the question --
18 well, tell me what --

19 A Okay. If you're asking me, did we
20 ever talk about, I don't recall ever talking
21 about Wimbledon. Did we ever talk about
22 French Open? I think we did talk about French

1 Open if that's what you meant by "take an
2 interest in."

3 Q That is what I meant.

4 A I apologize. I misunderstood.

5 Q And the talking about French Open
6 was talking about the possibility of getting
7 French Open rights for Versus, correct?

8 A That's correct.

9 Q Was that around the same time
10 period or do you know?

11 A I don't recall.

12 Q Let me show you another document.

13 MR. SCHMIDT: If I may approach,
14 Your Honor?

15 JUDGE SIPPEL: Yes, please. Thank
16 you.

17 MR. SCHMIDT: You're welcome.

18 BY MR. SCHMIDT:

19 Q This document is Tennis Channel
20 exhibit 41, which is already in evidence. Do
21 you see on the cover of this document that is
22 from the Summer of 2007, so several months

1 after the last exhibit that we looked at, July
2 9th, 2007 specifically?

3 A Yes, I do.

4 Q And it says, "Versus U.S. Open
5 Strategic Review." In the bottom corner, it
6 has a deposition stamp from your exhibit. Was
7 this a document you have seen before?

8 A Yes, I have.

9 Q Let's look ahead to page 4 of the
10 document.

11 A Okay.

12 Q And as you go there, am I correct
13 that this is a -- I think it's
14 self-explanatory, but this is an evaluation by
15 Versus of the possibility of securing U.S.
16 Open rights?

17 A I'll have to breeze through it,
18 but that seems to be what it is. I'll have to
19 breeze through it. (Perusing document.) All
20 right. That's what this looks to be.

21 Q On page 4, there is a series of
22 bullets. And I'm looking at the third full

1 left-indented bullet on page 4 --

2 A Okay.

3 Q -- that says, "Niche sports." And
4 I take it tennis is being counted as a niche
5 sport here?

6 A I don't know.

7 Q Okay. It says, "Niche sports are
8 currently fragmented and not vertically
9 integrated."

10 A Okay.

11 Q Do you know what that means?

12 A Let me read it in the context of
13 the whole slide, if you could, for a second.

14 Q Sure.

15 A (Perusing document.) Yeah. I
16 mean, Versus had a handful of niche sports on
17 it. So I guess it was just referring to maybe
18 -- I'm not certain exactly what it was
19 referring to. It could have been referring to
20 the sports that were on its network or just
21 niche sports in general.

22 Q Do you know one way or another

1 whether "vertically integrated" refers to the
2 status of a company like Comcast, which
3 includes both cable holdings and programming
4 holdings? Do you know one way or the other?

5 A I wouldn't think so, but I don't
6 know one way or the other.

7 Q Okay. Let's look ahead to page --

8 JUDGE SIPPEL: What document is
9 this? Who prepared this document for our
10 purpose?

11 THE WITNESS: I would suspect this
12 was prepared by Kim Armor, who was the CFO --
13 well, by Versus. And Kim probably led the
14 effort. And Kim was the CFO of Versus.

15 JUDGE SIPPEL: And what was being
16 sought to be accomplished with this document?

17 THE WITNESS: Can I answer that?

18 JUDGE SIPPEL: Yes, sir.

19 THE WITNESS: Okay. I'm not sure.
20 I think what we were doing back in 2007, Your
21 Honor, was we were debating with ourselves
22 whether or not we wanted to make a bid on

1 securing the rights to the U.S. Open for
2 Versus.

3 And so when we would do something
4 like that, people would do analytics. And we
5 would put a summary deck together like this
6 walking through a summary of what is going on
7 in the market and what the economic impact
8 would be to the company if we did it.

9 JUDGE SIPPEL: So there would be a
10 presentation, and these things would get --

11 THE WITNESS: I don't know. I
12 mean, this could have been, you know, Kim and
13 Gavin Harvey at Versus coming up and walking
14 Jeff and me through it. It could have been
15 something like that. You know, it's not that
16 formal.

17 We might have just sat around in a
18 conference room and spun through the
19 presentation. I don't recall specifically how
20 we got through it.

21 JUDGE SIPPEL: What is your
22 understanding of a niche sport?

1 THE WITNESS: Well, on Versus, if
2 you look at what Versus was, we had sports
3 like Tour de France, which is bicycle racing.

4 JUDGE SIPPEL: I'm pretty well
5 aware of what's on Versus.

6 THE WITNESS: Okay. So I would
7 say some of those sports in their niche
8 perhaps. Again, I didn't write this, but I
9 would -- my view is something like that would
10 be more of a niche sport, as opposed to NHL
11 hockey, which is more of a broader sport.

12 JUDGE SIPPEL: So a niche sport is
13 kind of like a custom sport or a sport that's
14 of narrow interest to -- I don't understand
15 that.

16 THE WITNESS: It's a bad way to
17 describe it. I don't know exactly what you
18 meant, but I would think about it as a sport
19 that is generally widely accepted like
20 baseball, football, basketball, hockey, you
21 know, the big sports or not niches, pretty
22 broad, broad appeal.

1 JUDGE SIPPEL: Yes.

2 THE WITNESS: That's how I would
3 think about it.

4 JUDGE SIPPEL: You say a
5 contrasting baseball with --

6 THE WITNESS: Well, non-baseball
7 sports.

8 JUDGE SIPPEL: Cage --

9 THE WITNESS: Cage fighting, which
10 we had on, which is a --

11 JUDGE SIPPEL: That's a niche?

12 THE WITNESS: That's a little bit
13 more of a niche. I mean, that's my
14 interpretation.

15 JUDGE SIPPEL: I'm understanding
16 that. Okay. And that is in July of 2007.
17 And, yet, when we started off on this, it was
18 back in, if I recall, late 2006.

19 THE WITNESS: December, December
20 of 2006.

21 JUDGE SIPPEL: And then there was
22 a break and then back again in January.

1 THE WITNESS: Yeah.

2 JUDGE SIPPEL: Okay. That's the
3 flow. Okay. Now -- okay. Well, I'll let it
4 go at that.

5 BY MR. SCHMIDT:

6 Q Do you consider tennis to be a
7 niche sport, sir?

8 A Again, it is hard to define what
9 niche sports means here.

10 Q Just in your definition.

11 A Tennis is one of my favorite
12 sports. So I don't know if I consider it to
13 be niche or not. I may not be a good judge.

14 Q Okay.

15 JUDGE SIPPEL: Don't tell me this
16 is not in the glossary. This goes right to
17 the heart of the matter. All right. Go
18 ahead. Keep going.

19 BY MR. SCHMIDT:

20 Q Was there a reporting relationship
21 between Ms. Armor and you?

22 A She would have been dotted line to

1 me.

2 Q By that, you mean --

3 A She reported directly to the
4 President of Versus. And then all the CFOs of
5 our networks would be dotted line into me
6 since I was the CFO over all of the
7 programming.

8 Q And what does a dotted line mean?

9 A That would mean that, you know,
10 she would have to answer to me if the
11 financial statements were wrong.

12 Q Okay. So, as best you understand
13 it, exhibit 41 is her preparing an analysis of
14 U.S. Open on Versus in order to present to you
15 and Mr. Shell and perhaps others?

16 A That would be my -- I think that
17 would be a reasonable assumption about why
18 this was put together, yeah.

19 Q Let's look at page 8 of this, if
20 we could.

21 A Uh-huh.

22 Q It says on the first -- well, it

1 says right at the top "U.S. Open Opportunity."

2 Do you see that?

3 A Yes, I do.

4 Q It then says, referring to the
5 U.S. Open, "The only premier event in the
6 sports landscape until 2013." Do you see
7 that?

8 A Yes, I do.

9 Q And is that the idea, that
10 different events, the rights, fees for those
11 events become available at different points in
12 time?

13 A Yeah. That's the concept.

14 Q So she's saying here this is the
15 only premier event that comes available before
16 2013?

17 A That's the statement. That's
18 right.

19 Q Let's skip down a couple of
20 bullets. She says, "Helps to continue
21 branding the network as a must watch station
22 for sports fans." This is talking about what

1 the U.S. Open would do for Versus, correct?

2 A That would be the implication she
3 is making.

4 Q Helps to continue building the
5 Versus brand image in anticipating of adding
6 more sports over the next decade, correct?

7 A That's what it says.

8 Q And then she says, "Provides a
9 distribution hedge against Versus' failure to
10 renew NHL." Are you aware that, at least at
11 this point in time, there was some question
12 about whether Versus would be able to renew
13 its deal with the NHL when that came up again
14 at a future point in time?

15 A We knew that the NHL deal had an
16 expiration date and that we would be in the
17 situation to -- competitive situation to bid
18 for it again.

19 Q And what she says is it provides a
20 hedge in the event that Versus is unable to
21 renew the NHL, correct?

22 A That's what this says.

1 Q And the hedge she is talking about
2 is a distribution hedge, right?

3 A That's what this says, yes.

4 Q What do you understand that to
5 mean?

6 A Again, her words, not mine. I'm
7 not sure I would agree with all of these
8 words, but what she would be saying here is to
9 the extent that we don't renew the NHL,
10 perhaps distributors would be interested in
11 Versus because we have the U.S. Open.

12 Q Okay. That would help them keep
13 their distribution level?

14 A That's an argument that she's
15 making that I wouldn't believe in, but that is
16 an argument she's making.

17 Q Let's look a little further down
18 under the heading "Timing on the Calendar
19 Fit."

20 A Uh-huh.

21 Q Do you see that?

22 A Yes, I do.

1 Q The second bullet under that says,
2 "With similar key audience demographics, the
3 U.S. Open will be heavily promoted during the
4 TDF." Do you know what the TDF is?

5 A That would be Tour de France.

6 Q So she's saying that the Tour de
7 France, which is Versus programming, --

8 A Uh-huh.

9 Q -- has similar key audience
10 demographics to the U.S. Open, correct?

11 A That is what she is suggesting
12 here.

13 Q And did you do any research that
14 led you to believe that was incorrect?

15 A I didn't do research one way or
16 the other, but I just don't necessarily agree
17 with everything on this page.

18 Q And then at the bottom referring
19 to the U.S. Open, she says, "strong
20 demographics for the U.S. Open," correct?

21 A That's what she says.

22 JUDGE SIPPEL: Did you have any

1 role at all, not necessarily preparing this
2 document, but in --

3 THE WITNESS: Sure. I had a
4 vociferous role in this, Your Honor. I was
5 against the idea. I was the head of the
6 finance for the Program Division. There were
7 people in Versus and, you know, elsewhere who
8 thought it would be interesting to get the
9 U.S. Open for it.

10 I personally did not believe this
11 would be a distribution hedge. I didn't think
12 one operator would keep us on longer if we
13 dropped -- if we didn't have the NHL but we
14 had a week or two of tennis or whatever it
15 was.

16 And I also felt that losing [REDACTED]
17 million a year because of the U.S. Open for 3
18 to 5 years or whatever it was was not an
19 appropriate use. So I played a big role in
20 this. I just was against the idea.

21 But -- and that was the debate
22 that we had. And she is making a sales pitch

1 to people, saying, "Here is what we are
2 missing, Joe. This is what you are missing."
3 So we had a healthy debate about it.

4 JUDGE SIPPEL: And the person who
5 was making the pitch is obviously a person who
6 is inside Versus in the sense that --

7 THE WITNESS: That is correct.
8 She was the CFO of Versus. So she had a
9 different view of it than I had of it. And,
10 you know, I can't remember the give and take
11 that we had at that time, Your Honor, but I
12 can remember that this was not a slam dunk
13 decision that people were saying, "Let's go
14 bid for the U.S. Open."

15 JUDGE SIPPEL: I'm sorry. Go
16 ahead.

17 MR. SCHMIDT: No. Absolutely,
18 Your Honor.

19 BY MR. SCHMIDT:

20 Q Just to follow up on Your Honor's
21 questions, as I understand the respective
22 roles, Ms. Armor was actually at Versus and

1 was conducting this analysis, exhibit 41, for
2 Versus, correct?

3 A That is correct.

4 Q And she was bringing it to you and
5 Mr. Shell. And I'm trying to understand your
6 respective bailiwicks. Mr. Shell was taking
7 a broader programming look at Versus. Your
8 focus was more I take it coming from your
9 background as the CFO on the finances. Is
10 that fair?

11 A I would like to think I'm a little
12 bit further than that, but I will not be
13 insulted by that.

14 Q Please don't be.

15 A I am, first and foremost, the
16 financial keeper of the company. But we have
17 made investments, for example, in hockey,
18 where we took a step backwards in hockey.

19 Versus at one point in time was
20 making money. We entered into a deal to get
21 NHL rights. And we started to lose money. I
22 would have been a proponent of that because I

1 thought over the long term, that that could
2 help the network grow. I did not believe that
3 to be the case with the U.S. Open. That's the
4 only thing I am trying to suggest.

5 So I do have a financial role, but
6 I would like to think I had a broader view
7 than just, you know, what is it going to do
8 for us next year.

9 Q Did someone have the final say at
10 the end between you and Mr. Shell?

11 A You know, I don't -- honestly I
12 don't remember if we ever bid on it or not.
13 I would have made my opinion known to Jeff.
14 I think Jeff valued my opinion. And we would
15 have debated it.

16 Q My question is imply in the --

17 A Was he ahead of me?

18 Q Yes.

19 A He was ahead of me.

20 Q He would have made the final call?

21 A I don't know if he would have made
22 the final call, but he certainly was ahead of

1 me.

2 Q Okay.

3 JUDGE SIPPEL: The chances are
4 pretty slim that he would make that call
5 without your being on board, though, would he,
6 based on --

7 THE WITNESS: Based on -- I mean,
8 you're giving me too much credit, but, I mean,
9 we don't agree with everything. But I think
10 he looked to me as a valuable partner. And at
11 times you disagree. I mean, you don't always
12 agree when you're talking about business
13 decisions.

14 JUDGE SIPPEL: Well, I'm with you
15 on that, but, I mean, this is a -- there is
16 one thing about disagreeing at the discussion,
17 internal discussion, phases, but when it gets
18 to the point of when you're going to make a
19 bottom line decision --

20 THE WITNESS: Right.

21 JUDGE SIPPEL: -- and if you were
22 pausing here as a financial officer, there

1 would have to be some strong motivation to
2 push in another direction --

3 THE WITNESS: Right.

4 JUDGE SIPPEL: -- unless you had a
5 bad coffee day or something.

6 THE WITNESS: No. I didn't have a
7 bad coffee day, didn't have a bad coffee day.
8 The ultimate strategy that we all agreed on
9 was that by the time we got into the outer
10 years, call it 13, 14, 15, that we wanted to
11 try to make Versus into a much broader,
12 stronger sports network.

13 And the debate we would have was
14 in the intervening time, so from in this case
15 2007 to '13, how much money do you want to
16 spend and maybe lose a little bit in order to
17 set yourself up to have a bigger, you know,
18 swing at the bat, if you will, in later years.

19 So it would be good if it were a
20 black and white answer to it, but there
21 weren't. And so this was just something that
22 we would debate.

1 JUDGE SIPPEL: Yes. That is very
2 interesting. If that is what you were looking
3 for, that you were going to make -- you were
4 thinking -- this is what I am hearing anyway.
5 Versus is going to become Comcast's flagship
6 for a variety of sports presentations. You
7 would have to be inclined, really, to want to
8 spend a lot of time unless it was a real --
9 I'm trying to think of a good one -- like NFL.

10 Let me restate it this way. You
11 would not really want to be bothered by
12 tinkering around with an independent sports
13 channel if this is where you are going with
14 it.

15 THE WITNESS: I'm not sure what
16 you mean by "tinkering around."

17 JUDGE SIPPEL: Well, I know.
18 That's a bad word. Help me out. Your focus,
19 your center of focus, was on Versus in the
20 future.

21 THE WITNESS: Yes.

22 JUDGE SIPPEL: Now, that's

1 different than Versus today.

2 THE WITNESS: Right.

3 JUDGE SIPPEL: And in order to
4 focus on that from a -- not policy so much but
5 corporate planning. You want to be putting as
6 much energy into that as you can.

7 THE WITNESS: Right. That was
8 where our focus was on, was growing our
9 networks. But we were asked because of the
10 expertise we had to do an equity valuation for
11 the equity for carriage deal.

12 That was work that we did. We did
13 it rigorously. We did it thoroughly. We did
14 a good job on it. But that was not the main
15 work that our department did. Our group was
16 primarily interested in running our networks.
17 And whether the Tennis Channel had U.S. Open
18 rights or not or had Comcast carriage or not
19 did not affect my overall agenda in growing my
20 networks. It just was not a thing that we
21 considered.

22 JUDGE SIPPEL: Well, were you

1 looking upon Versus as being something unique
2 and different from tennis? I mean, tennis is
3 a sport. Versus was doing --

4 THE WITNESS: Yes, that Versus was
5 going to be a broad-based sports network.

6 JUDGE SIPPEL: Well, what sports
7 don't you like if you are broad-based?

8 THE WITNESS: Well, I want sports
9 that are going to make me money.

10 JUDGE SIPPEL: Good point. Good
11 point.

12 THE WITNESS: And sports that tend
13 to make me money are the bigger sports down
14 the road, like a baseball or hockey, something
15 that has mass appeal. And in the interim, we
16 were looking at adding a little bit of sports
17 here and a little bit of sports there. So we
18 added, you know, Big 12 and Pac 10, football
19 and basketball.

20 The idea was, let's not spend a
21 lot of money on those sports and we will bide
22 our time until we can come and get some

1 experience putting those sports on the
 2 network, bide our time until we can go after
 3 one of the larger sports. And tennis was not
 4 one of the larger sports that we thought was
 5 going to frame our network.

6 JUDGE SIPPEL: But you thought
 7 that Pac -- I'm saying words that may be --
 8 Pac something or other --

9 THE WITNESS: Some college, some
 10 level of college sport.

11 JUDGE SIPPEL: Yes. And it's a
 12 league. It's something that's up in the
 13 northwest corner of the country or something.

14 THE WITNESS: Right, but that's --

15 JUDGE SIPPEL: Maybe not, but, I
 16 mean, the thing is it's a limited -- you're
 17 not talking about NFL football. You're
 18 talking about Pac something football.

19 THE WITNESS: Right, but for me,
 20 right or wrong, one person's opinion versus
 21 another. Tennis was comparable to that for
 22 us.

1 JUDGE SIPPEL: Tennis was
2 comparable to that?

3 THE WITNESS: For the use it would
4 do for us for Versus. Yeah, that's correct.

5 JUDGE SIPPEL: So you would see
6 tennis competing with a Pac something or other
7 football thing as a -- but you're not going to
8 spend much time with tennis if you're talking
9 about something like the Hockey League or the
10 -- yes, go ahead.

11 THE WITNESS: Yeah. I want to say
12 I didn't see tennis competing against anything
13 else, whether it was college football or not.
14 It was just some programming we could put on
15 for a couple of weeks in the summer. It
16 wasn't the program that was going to make the
17 network, just like college football, Big B2
18 college football, was not going to make the
19 network. It was a little bit here and a
20 little bit there.

21 JUDGE SIPPEL: Well, what is going
22 to make a network?